

AGENCY MEMBERS PRESENT

Gene Caldwell, M.D., Chairman
Carl Koella, III, Vice Chair
E. Conrad Shackelford
Kristen Coile
Greg Lammert
Charles Handorf
Faye Weaver
Bryan Atchley

AGENCY MEMBERS ABSENT

Peggy Troy
Cheryl Cunningham

AGENCY STAFF PRESENT

Melanie Hill, Executive Director
Mark Farber, Assistant Executive Director
Reid Brogden, General Counsel
Jim Christofferson, Deputy General Counsel
Rhonda Blair, Office Manager
Melissa Bobbitt, Administrative Services Assistant
Sue Kerley, Administrative Assistant

GUESTS PRESENT

Baker, E. Graham Esq., Weeks, Anderson & Baker
Biggs, Jeremy, St. Mary's Health System
Blackwell, Gerald, M.D., Cardiovascular Associates of Kingsport
Brexler, Jim, President/CEO, Erlanger Health System
Brown, Dere., NHC Healthcare
Brundige, Jennifer, Esq., Farmer & Luna PLLC
Buschmann, Heidi, Director, Clinical Program Development, Vanderbilt Children's Hospital
Carden, Carol, Pershing Yoakley & Assoc.
Clapp, Steve, Baptist Health System – Knoxville
Clark, Troy, Wellmont
Coaty Robyn, Memorial Health Care System
Corgan, Maureen, The Consultant Group PC
Correll, Donald, Jackson Madison County General Hospital
Corritore, Danell, Department of Health
Cravens, Thomas, Esq., Kramer, Rayson, Leake, Rodgers & Morgan
Culp, Joe, Department of Health
Day, Ed, Health Care Consultant
Delp, Ben, Bass, Berry & Sims
Dennis, Barry, Jackson Madison County General Hospital
Dentsoll, Matt, RADS
Douglas, Terry, Chairman, CTI Molecular Imaging
DuBois, Mary Lou, LifeCare Partners
Duncan, Bruce, VP, NHC Healthcare
Elder, Bruce, V.P. Development, MedQuest Associates, Inc
Elrod, Dan, Esq., Miller & Martin
Etta, Charles Erlanger Health System
Finley, Jr., Jim, Administrator, National HealthCare Corp
Fisher, Tom
Garner, Bob

Gooch, Warren, Esq., Kramer, Rayson, Leake, Rodgers & Morgan
Gromos, John,
Halsey, Laurie, Covenant Health
Hamlin, Debra
Helton, Keith, Galen Medical Group
Hill, D., THC
Hill, Ron, V.P. Strategic Development, Vanderbilt University Medical Center
Houchin, Barbara, St. Thomas Health Systems
Hutchison, John, Wellmont Bristol Regional Medical Center
Jackson, Lori, Wellmont Bristol Regional Medical Center
Johnson, Phil, Chief Administrative Officer, Thompson Cancer Survival Center
Keiser, Randy
Kertz, Marvin
Kun, Larry, St. Jude Children's Hospital
Kwasigroh, Catherine, V.P. Hospital Services, Jackson Madison County General Hospital
Ladley Herb, Cardiovascular Associates
LaGrone, Robert, Center For Inflammatory Disease, PC
Lake, Vicki, Jackson Madison County General Hospital
Lambert, Lynn, VP and CFO, Gateway Health System
Lee, Richard, Knoxville Baptist Hospital
Lewis, David, Chief Legal Officer, Erlanger Health System
Looney, Kim, Esq., Waller, Lansden, Dortch & Davis
Luna, J.W., Esq., Farmer & Luna PLLC
Manning, Richard, Erlanger Health System
McKay Martin, Erlanger Health System
Morris, Blaine, Erlanger Health System
Moscardelli, Esq., Michael, Baker, Donelson, Bearman, Caldwell & Berkowitz PC
Myers, Bill, Covenant Health
Penny, Linda, Comptroller's Office
Perry, Wanda, Erlanger Health System
Puri, Chris, THCA
Richardson, Mike, V.P. Planning/Business Development, Covenant Health
Rooy, Jim, CFO, Cardiovascular Associates, PC
Shmerling, Jim, Vanderbilt University Medical Center
Slyvia, John
Small, Jeffrey, Administrator, Cardiovascular Associates PC
Stancombe, Brad
Taylor, Jerry, Esq., Farris, Mathews, Branam, Bobango, Hellen, & Dunlap
Trauger, Byron, Esq., Trauger, Ney & Tuke
Wellborn, John, Consultant, Development Support Group
West, William, Esq., Baker, Donelson, Bearman, Caldwell & Berkowitz PC
Westmoreland, Dan, Park Avenue Imaging
White, Jay, Galen Medical Group
Wilson, Steve, CFO, Takoma Adventist Hospital
Wood, Betsy, THA

Chairman Caldwell called the meeting to order at 8:30 a.m. in the Main Auditorium of the Bell South Tower, Nashville, Tennessee.

DIRECTOR'S ANNOUNCEMENTS

Melanie Hill, Executive Director, introduced the Agency's new physician representative member, Dr. Charles Handorf; and the Agency's new home care representative member, Gregory Lammert. Ms. Hill made general announcements which included the dates for the November and December meetings (November 17, 2004 and December 15, 2004). Ms. Hill also noted the

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deferral of Blount Memorial Hospital, Certificate of Need Application No. CN0406-050, to the January 2005 meeting; and the deferral of Humboldt General Hospital, Certificate of Need Application No. CN0407-064, to the November 2004 meeting. Both deferrals were made at the request of the Applicants.

CERTIFICATE OF NEED APPLICATIONS

Mark Farber summarized the following CON applications:

Vanderbilt University Hospital, Clarksville (Montgomery County) Tennessee -- CN0406-052

The addition of twelve (12) neonatal intensive care unit (NICU) beds to the license of Vanderbilt University Hospital (VUH) in Nashville (Davidson County), Tennessee and the subsequent delicensure of twelve (12) NICU beds from Gateway Medical Center in Clarksville (Montgomery County), Tennessee. No beds will be physically relocated. VUH will operate the unit in space leased from Gateway Medical Center. Thus, the responsibility for the unit will reside with VUH while Gateway Medical Center will serve as landlord. The service area for the project is Montgomery, Houston, and Stewart Counties in Tennessee and Christian and Todd Counties in Kentucky. The project does not include any major medical equipment.

\$ 776,646.00

Ronald W. Hill, Vice-President for Strategic Development, Vanderbilt University Medical Center, addressed the Agency on behalf of the project. Heidi Bushmann, Director, Clinical Program Development, Jim Shmerling, CEO, Vanderbilt Children's Hospital, Lynn R. Lambert, Vice-President and CFO, Gateway Health System and Dr. Brad Stancombe, Vanderbilt Children's Hospital, spoke on behalf of the project.

Mr. Koella moved for approval of the project based on: 1) Need – The need is clear as the area is underbedded according to the Guidelines. They will have improved equipment and better purchasing power; 2) Economic Feasibility – The project is economically feasible with cash reserves; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care. The license is proper and they are involved in TennCare. Ms. Coile seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell

NAY: None

Biolmaging at Charlotte, Inc., Memphis (Shelby County) Tennessee -- CN0406-057

The establishment of an outpatient diagnostic center (ODC) and the initiation of magnetic resonance imaging (MRI) services. The establishment of this ODC will be affected by the purchase of the existing Park Avenue Imaging Center at 5190 Park Avenue, Memphis, TN 38119, including two (2) MRI units, one (1) computerized tomography (CT) unit, and related imaging equipment. The Park Avenue Imaging Center is currently being operated under the private practice exemption. Therefore, the approval of this ODC will not result in the addition of new MRI units in the service area. The only major medical equipment involved is for MRI services. No other health services will be initiated or discontinued.

\$ 4,684,219.84

DEFERRED FROM THE SEPTEMBER MEETING

E. Graham Baker, Esq., representing the Applicant, addressed the Agency. J.W. Luna, Esq., Bruce Elder, Vice President, Development, MedQuest Associates, Inc., and Dr. Dan Westmoreland spoke in support of the project. Jennifer Brundige, Esq., was present in support.

Ms. Coile moved for approval of the project based on: 1) Need – The need has been proven by the letters from the community and the high rates of utilization; 2) Economic Feasibility – It is economically feasible with cash reserves and a commercial line of credit; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care by allowing the community and the physicians already using it to continue to do so. It

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also has TennCare participation. Mr. Atchley seconded the motion. The motion CARRIED [6-1-1] **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Weaver, Atchley
NAY: Caldwell
RECUSED: Handorf

Erlanger East, Chattanooga (Hamilton County) Tennessee -- CN0405-047

The construction of a new four (4) story patient tower and other ancillary space totaling approximately 178,500 square feet; renovation of approximately 22,500 square feet of space, transfer of seventy-nine (79) beds from the Erlanger Medical Center main campus to the Erlanger East campus; initiation of cardiac catheterization and the acquisition of a magnetic resonance imaging (MRI) scanner. The urgent care center will be upgraded to a full-service emergency department. The additional seventy-nine (79) beds will increase the licensed bed capacity from twenty-eight (28) beds to one hundred seven (107) beds. The main campus licensed bed capacity will decrease from 703 to 624 licensed beds.

\$ 68,725,321.00

William West, Esq., representing the Applicant, addressed the Agency. Jim Brexler, President/CEO, Erlanger Health System, Dr. Keith Helton, Galen Medical Group, Dr. Jay White, Galen Medical Group, and David Lewis, Chief Legal Officer, Erlanger Health System, spoke in support of the project.

Mr. Koella moved for approval of the project based on: 1) Need - The need has been demonstrated with the growth of the area and there is strong community and physician support for the project; 2) Economic Feasibility – It is economically feasible with cash reserves and bond financing; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care as they are a strong charity and TennCare provider. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0]. **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

St. Jude Children's Research Hospital Memphis (Shelby County) Tennessee -- CN0405-049

The construction of a seven (7)-story (including basement) building to be called the Integrated Patient Care and Research Building, Tower One; the acquisition of the following major medical equipment: a linear accelerator, a cyclotron, two 3.0 Tesla magnetic resonance imaging ("MRI") scanners, and a PET/CT scanner; and the addition of sixteen (16) licensed hospital beds. The project will be located on the campus of St. Jude Children's Research Hospital, 332 North Lauderdale Street, Memphis, TN 38105. The additional sixteen (16) beds will increase the total licensed bed capacity of the hospital to seventy-eight (78).

\$ 106,714,834.00

William West, Esq., representing the Applicant, addressed the Agency. Dr. Larry Kun, Head of Radiology, spoke on behalf of the project. Pam Wesley Administrative Head of Radiology, Wendy Shea, General Counsel, St. Jude Children's Research Hospital, and John Nash, Executive Vice-President, St. Jude Children's Research Hospital were present in support.

Mr. Koella moved for approval of the project based on: 1) Need – There is a clear need to promote world class health care in the State of Tennessee; 2) Economic Feasibility – The project is economically feasible through the cash reserves; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care as they are licensed and a TennCare provider. Ms. Coile seconded the motion. The motion CARRIED [7-0-1]. **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Weaver, Atchley, Caldwell
NAY: None
RECUSED: Handorf

NHC HealthCare, Smithville (DeKalb County) Tennessee -- CN0407-060

The addition of six (6) new Medicare certified nursing home beds to the existing one hundred fourteen (114) bed NHC HealthCare, Smithville (currently certified for both Medicaid and Medicare participation) for a total of one hundred twenty (120) nursing home beds located at 825 Fisher Avenue in Smithville, DeKalb County. The project involves the conversion of six (6) licensed assisted care living facility beds to six (6) nursing home beds.

\$ 101,000.00

Dan Elrod, Esq., representing the Applicant, addressed the Agency. Jim Finley, Jr., Administrator, National HealthCare Corp., spoke in support of the project. Bruce Duncan was present in support.

Mr. Atchley moved for approval of the project based on: 1) Need – The need has been demonstrated by a high rate of occupancy over the past several years; 2) Economic Feasibility – It is economically feasible; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care with the acceptance of Medicare/Medicaid patients. Ms. Weaver seconded the motion. The motion CARRIED [8-0-0] **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

Wellmont Bristol Regional Medical Center, Bristol (Sullivan County) Tennessee -- CN0407-062

The acquisition of a magnetic resonance imaging (MRI) system at the hospital campus located at 1 Medical Park Blvd., Bristol, TN 37620. Major medical equipment includes a General Electric Signa 3.0 Tesla Whole Body MRI System. If approved, Wellmont Bristol Regional Medical Center will be operating two (2) fixed MRI scanners. No licensed beds are involved.

\$ 3,382,919.00

Byron Trauger, Esq., representing the Applicant, addressed the Agency. Dr. John Hutchison spoke in support of the project. Troy Clark and Lori Jackson were present in support.

Ms. Coile moved for approval of the project based on 1) Need – There is a need demonstrated by the high volume and this will be the first 3.0 Telsa in the service area; 2) Economic Feasibility – It is economically feasible and cash reserves are available to fund the purchase of the new equipment; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care in that it will result in lower charges per scan and there is good TennCare participation. Mr. Atchley seconded the motion. The motion CARRIED [7-0-1] **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Atchley, Caldwell
NAY: None
ABSTAINED: Weaver

Jackson-Madison County General Hospital, Jackson (Madison County) Tennessee -- CN0407-063

Expansion of the Emergency Department to include 20,475 square feet of new space, 2,000 square feet of renovated space, and 8,000 square feet of new shell space. The new space will include twenty-two (22) new patient exam rooms six (6) of which will be built to trauma specifications and two (2) of which will be for orthopedics. Jackson-Madison County General Hospital is located at 708 West Forest Avenue in Jackson. There will be no change in the licensed bed count of the hospital. This project does not include the acquisition of major medical equipment.

\$ 10,857,930.00

Dan Elrod, Esq., representing the Applicant, addressed the Agency. Dr. Donald Correll spoke in support of the project. Catherine Kwasigroh, Vice President, Hospital Services, and Barry Dennis, Administrative Director of Emergency Services, were present in support of the project.

Mr. Koella moved for approval of the project based on: 1) Need – The need is clear with an increase in the patient volumes and emergency room visits; 2) Economic Feasibility – It is economically feasible with cash reserves; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care. They are licensed and are a strong TennCare provider. Dr. Handorf seconded the motion. The motion CARRIED [8-0-0]. **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

East Tennessee PET Center, Inc., Knoxville (Knox County) Tennessee -- CN0407-066

The establishment of an outpatient diagnostic center (ODC) and the initiation of positron emission tomography (PET) services. The equipment will be a combination PET/CT unit. Upon approval of this application, the mobile PET service at Baptist Hospital of East Tennessee, Inc., will be discontinued and Certificate of Need CN0210-102A will be surrendered. The new service will be provided in Suite 210 of The Cornerstone Building located at 1450 Dowell Springs Boulevard, Knoxville, Tennessee, 37909. This project will not increase or decrease any licensed bed complement. No other major medical equipment will be involved and no other health services are being proposed.

\$ 3,395,623.00

Warren Gooch addressed the Agency on behalf of the project. Richard Lee and Terry Douglas spoke on behalf of the project. Steve Clapp, Mary Lou Dubois, Debra Hamlin, and John Sylvia were present in support of the project.

Jerry Taylor, Esq., Dan Elrod, Esq., and Bill Myers, Esq., spoke in opposition to the project. Jeremy Biggs, Mike Richardson, Phillip Johnson, and Laurie Halsey were present in opposition.

Mr. Gooch rebutted.

Mr. Taylor and Mr. Elrod provided summation for the Opposition.

Mr. Gooch provided summation for the Applicant.

Mr. Koella moved for approval of the project, limited to PET and CT scans, based on 1) Need – The need is there for a three-hospital system in Knoxville to have a PET/CT unit with the growing use and approval of the modalities as presented and discussed, and the strong growth in the existing number of scans in the Knoxville market; 2) Economic Feasibility – The project is economically feasible through cash reserves of the subsidiary of their parent; and 3) Orderly Development – The project does contribute to the orderly development of adequate and effective health care by being licensed and a TennCare provider. There are strong community letters of support. Ms. Coile seconded the motion. The motion CARRIED [7-1-0]. **APPROVED**

AYE: Shackelford, Coile, Lammert, Koella, Weaver, Atchley, Caldwell
NAY: Handorf

CONDITION: Limited to PET/CT scans

Cardiovascular Associates at Meadowview, Kingsport (Sullivan County) Tennessee -- CN0407-068

Establishment of an outpatient diagnostic center (ODC) and the initiation of magnetic resonance imaging (MRI) services, one (1) day per week, at 2033 MeadowView Lane, Kingsport, TN 37660 at a capital cost for CON purposes of \$575,634, of which \$30,000 is the capital expenditure and the balance is the value of leased space and equipment. The ODC with MRI will be established by leasing the MRI from Holston Medical Group for one (1) day per week in a 3,538 SF area (with MRI) of an approved ODC being constructed at that address by Holston Medical Group (CN0209-089A). The proposed facility will be licensed as an ODC by the Department of Health. The project does not contain any other type of major medical equipment or initiate or discontinue any other health service; and it will not affect any licensed bed complements.

\$ 575,634.00

John Welborn, represented the Applicant. Dr. Herbert Ladley, President, Cardiovascular Associates at Meadowview, addressed the Agency on behalf of the project. Dr. Gerald Backwell, Cardiovascular Associates at Meadowview, spoke in support of the project. Jim Rooy, and Jeffrey Small, Cardiovascular Associates at Meadowview were present in support of the project.

Ms. Coile moved for approval of the project based on: 1) Need – The need has been demonstrated as this will be the only one east of Nashville that will be performing cardiovascular imaging services; 2) Economic Feasibility – It is economically feasible as there is cash reserves on hand; and 3) The project does contribute to the orderly development of adequate and effective health care. They will be leasing one day a week using existing equipment. There will be no new magnetic resonance imaging (MRI) services added to the service area. A sharing agreement will be entered into with an existing ODC, which is very orderly. Dr. Shackelford seconded the motion. The motion CARRIED [8-0-0]. **APPROVED.**

AYE: Shackelford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell

NAY: None

Center for Inflammatory Disease, Nashville (Davidson County) Tennessee -- CN0407-069

The acquisition of a magnetic resonance imaging (MRI) unit and the initiation of MRI imaging of the hand and foot for the patients of the Center for Inflammatory Disease, P.C. located at 2001 Charlotte Avenue, Nashville, TN 37203, through acquisition of a portable 0.2 Tesla MRI unit. This new type of MRI images only the hand or foot. It will be used in an unshielded 400 SF examination room. The project does not require licensure as a healthcare facility.

\$ 434,950.00

John Welborn addressed the Agency on behalf of the project. Dr. Robert LaGrone, spoke on behalf of the project. Bob Garner was present in support.

Mr. Koella moved for approval of the project based on: 1) Need – The need is there to reduce the cost of medicines and diagnostic time; 2) Economic Feasibility – It is economically feasible through the commercial loan; and 3) Orderly Development - The project does contribute to the orderly development of adequate and effective health care as they are licensed. Mr. Atchley seconded the motion. The motion CARRIED [6-2-0]. **APPROVED**

AYE: Coile, Lammert, Koella, Handorf, Atchley, Caldwell

NAY: Shackelford, Weaver

OTHER BUSINESS

Melanie Hill summarized the following request for extension:

Takoma Adventist Hospital (Greeneville, Greene Co) Tennessee -- CN0005-036A

REQUEST FOR EXTENSION OF THE EXPIRATION DATE FROM NOVEMBER 1, 2004 UNTIL APRIL 1, 2006. The renovation and expansion of Takoma Adventist Hospital. New construction of a 59,300 SF, 2-story addition for the relocation of all outpatient services and 11 OB/PP beds, and dedicated physician office space of 23,700 SF that is not included in the CON review process. There was no change in licensed bed complement. The original CON was granted on August 23, 2000 with an expiration date of September 1, 2003. On April 23, 2003, the CON was extended until November 1, 2004. On October 21 Takoma Adventist Hospital submitted a request that the CON be extended until March 31, 2006. Surgery, Recovery, Central Sterile Processing, Patient Reception and Medical Records were recorded as substantially complete on July 27, 2004. OB and Medical/Surgical patient Care Units are scheduled to be substantially complete by November 30, 2004. Emergency Department work is scheduled to begin in January 2005 with a projected completion date of January 2006.

\$ 8,600,000.00

Dr. Handorf moved that the request for extension of Takoma Adventist Hospital be reviewed. Ms. Coile seconded the motion. The motion was **approved** by unanimous voice vote.

E. Graham Baker, Esq., addressed the Agency on behalf of the project. Steve Wilson, CFO, Takoma Hospital, was present in support of the project.

Dr. Shackleford moved for approval of the request for extension until April 1, 2006. Dr. Handorff seconded the motion. The motion CARRIED [8-0-0] **APPROVED**

AYE: Shackleford, Coile, Lammert, Koella, Handorf, Weaver, Atchley, Caldwell
NAY: None

GENERAL COUNSEL REPORTS

Reid Brogden gave an update on the proposed Rules. The Rulemaking Hearing is scheduled for November 19, 2004, at 10:00 a.m. CDT in Room 12-14 of the Legislative Plaza.

CURRENT REPORTS

Statistical Reports

The reports were accepted into the record.

Finance Ways and Means Committee Reports

The reports were accepted into the record.

Minutes

The Minutes of the September 22, 2004 meeting were accepted by unanimous voice vote.

ADJOURNMENT

There being no further business, the meeting adjourned.

Melanie M. Hill, Executive Director

MMH:sk